

# SENATE BILL REPORT

## SSB 6510

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As Amended by House, March 7, 2008

**Title:** An act relating to providing a source of funding to assist small manufacturers in obtaining innovation and modernization services.

**Brief Description:** Providing a funding source to assist small manufacturers in obtaining innovation and modernization extension services.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Kastama, King, Shin and Rasmussen).

**Brief History:**

**Committee Activity:** Economic Development, Trade & Management: 1/25/08 [DP-WM].

Ways & Means: 2/11/08, 2/12/08 [DPS].

Passed Senate: 2/14/08, 48-0.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Kauffman, King and Shin.

**Staff:** Jack Brummel (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6510 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

**Staff:** Richard Ramsey (786-7412)

**Background:** Manufacturing represents 14 percent of all employment in Washington, 16 percent of wages, and 17 percent of the state's business and occupation (B&O) tax revenue, contributing about 27 billion dollars to Washington's gross state product. Almost half of the manufacturers in the state have fewer than 250 employees. The competitiveness of larger manufacturers often depends on smaller manufacturers, which generate more than half of all innovations in the economy and account for more than half of the net job creation annually.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

In 2006, Washington Manufacturing Services (WMS) was created in statute as a private, nonprofit corporation to operate a modernization extension system, coordinate modernization resources, and stimulate the competitiveness of small and midsize manufacturers. WMS is affiliated with the federal National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership. WMS may charge fees for services and receive funds from private and public sources. Federal funding for the program is contingent on the receipt of state matching funds and private funds.

**Summary of Substitute Bill:** The Washington Manufacturing Innovation and Modernization Extension Service program (the program) is created and will be administered by the Community Economic Revitalization Board (CERB) in the Department of Community, Trade, and Economic Development (CTED). Under the program, small manufacturers, industry associations, or cluster associations may receive vouchers of up to 200,000 dollars per year to cover the costs of manufacturing extension services. Such services are to be provided by a qualified manufacturing extension partnership affiliate such as WMS.

The costs of the manufacturing extension services must be repaid.

The manufacturing innovation and modernization account is created. Its funds come from payments made by participants in the program and monies solicited by the Director of CTED. Funds are disbursed to qualified manufacturing extension partnership affiliates to cover the costs of extension services. Up to 100,000 dollars per year are to be disbursed for outreach services. Funds received by an affiliate qualify as the state match required by the NIST Manufacturing Extension Partnership.

A legislative finding states that most small and midsize manufacturers do not have the resources that will allow them to easily access modernization technical assistance and the skills training needed to make them globally competitive. The legislative finding also states that the intent of the Legislature is to: (1) create a new mechanism in a manner that reduces the up-front costs of these services for small and midsize manufacturing firms; and (2) increase state support for the manufacturing extension program, expand the delivery of modernization services to small and midsize Washington manufacturers, and leverage federal funding and private resources devoted to such efforts.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill (Economic Development, Trade & Management):** PRO: This bill will provide the technical assistance that will allow manufacturers to improve production, save a substantial amount of money, and become more profitable and be more competitive internationally. It allows firms to delay payments and gives them a tax benefit. This bill will allow the state to get its fair share of federal funds to support manufacturers.

**Persons Testifying (Economic Development, Trade & Management):** PRO: Robin Horrell, Ron Newbry, Washington Manufacturing Services; Des McGahern, Albany International.

**Staff Summary of Public Testimony on Original Bill (Ways & Means):** PRO: The National Institute of Standards and Technology in the U.S. Department of Commerce was created 20 years ago to support continuous improvement in manufacturing process and efficiency. In the U.S. manufacturing will remain healthy so long as workers continue to be the most productive in the world. This bill sets up a mechanism to assist smaller manufacturers in becoming more productive.

**Persons Testifying (Ways & Means):** PRO: Ron Newbry, Washington Manufacturing Services.

**House Amendment(s):** The program is to be administered by CTED rather than the CERB. CTED administrative expenses for the program are limited to 3 percent of available funds. Provisions related to outreach services are removed.

CTED is to receive and report on performance data.

The act is terminated June 30, 2012.

Adds a null and void clause.